

ECONOMICS 122: INTERNATIONAL FINANCE
INSTRUCTOR: EDWARD MCDEVITT
UCLA, SUMMER 2017

Lecture Days and Times: TR 1-3:05 p.m.

Classroom: Humanities A65

Office: Bunche Hall 2249

Office Hours: TBA

I also hold additional office hours in the week leading up to an exam.

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COURSE DESCRIPTION: Interpretation of balance of payments and adjustment to national and international equilibria through changes in price levels, exchange rates, and national income. Other topics include determination of exchange rates under various monetary standards, capital movements, currency unions, currency crisis, and international monetary organization.

PREREQUISITE: Economics 102.

STUDY QUESTIONS: There is no textbook for this class. Exams are based on the lectures only. I will be providing study questions (posted on the course website). The study questions will not be collected or graded, but you should find them very useful in preparing for exams.

<https://moodle2.sscnet.ucla.edu/course/view/171C-ECON122-1>

EXAMS: There will be two exams. The approximate weighting of the exams is as follows:

First Exam (**August 24 , Thursday**)- 45%

Final Examination (**September 14**, Thursday) - 55%

ALL exams must be taken at the scheduled time.

POLICY ON MISSED EXAMS: Exams must be taken at their scheduled time. Please note that under no circumstances will a makeup exam be administered if a student misses a midterm. If a student has a legitimate emergency (by “emergency” I mean serious and unanticipated) and can provide acceptable documentation of such of an emergency, then additional weight will be placed on the final exam. Any such documentation, such as a doctor’s note, should clearly state that the student was incapacitated and was therefore unable to take the exam or faced a serious impediment that prevented attendance at the exam. A student who misses an exam without a valid, verifiable excuse will receive a zero. If due to a verifiable emergency, a student misses the final exam, then that student will be required to take a makeup final exam administered by the department at the officially announced day and time . If a student misses all exams this student will receive an automatic grade of “F”.

EXAM RULES: Please note that calculators are NOT allowed for the exams. You will NOT be allowed to have cell phones or any other electronic devices on your desk during the exam. Once the exam begins, you will not be allowed to leave the room until you hand in your exam, so please plan accordingly. All backpacks should be zipped closed and all books put away. Failure to do so will delay the distribution of the exams for the entire class. When I call for the exams, all writing must stop. All that students should have on their desks is a pen/pencil (s) and their photo ID card (which functions as a straightedge for drawing graphs).

DISABLED STUDENTS and the OFFICE of STUDENT DISABILITIES (OSD): Any student with a pre-existing illness or condition who requests special arrangements must (a) qualify under OSD rules for such special arrangements and (b) must take the exam with OSD. Any such arrangements with OSD must be made the first week of classes. The instructor must be informed of any such arrangement in the first week of classes. For additional information and the qualification conditions of the Office of Student Disabilities (OSD), please visit their website at <http://www.osd.ucla.edu/Index.htm> . All other students must take the exam at the scheduled time under the same time constraints. It is the responsibility of all students who request special arrangements with OSD to be familiar with all of their rules as well as the rules of this class.

ACADEMIC DISHONESTY

Any cases of cheating will be reported to the Office of the Dean of Students. For more details please refer to the Office of the Dean of Students website at <http://www.studentgroups.ucla.edu/dos/>

TOPICS

- Exchange rates and the Foreign Exchange market.
Definitions, terms, arbitrage, covered interest parity, uncovered interest parity
- Exchange rate determination in the long run (Monetary Approach)
Real exchange rates, purchasing power parity, money market and exchange rate, Fisher effect, interest rate parity, monetary and exchange rate regimes
- Exchange rate determination in the short run (Asset Approach)
Uncovered interest parity condition, interest rate in short run, nominal rigidities in short run, asset approach model, combining the SR and LR approaches, fixed exchange rate regimes
- Balance of Payments, open economy macro identities
Definitions, accounting identities, current account, capital account, financial account, external wealth
- Open Economy macroeconomics (short run)
IS-LM model for open economy, monetary policy in a floating exchange rate regime, monetary policy in a fixed exchange rate regime, fiscal policy in a floating exchange rate regime, fiscal policy in fixed exchange rate regime, liquidity traps
- Exchange rate crises, the Euro, Debt and Default